

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Under current law, counties may purchase and use any of three voting systems that have been certified by the Secretary of State for use in California elections. These voting systems are the punch card, optical scan, and direct record electronic (touch screen) systems.

Punch card systems use prescored computer punch cards upon which the voter indicates his or her vote choices by punching out the prescored holes. Optical scan machines require a voter to mark his or her selection on the ballot with a pencil or other approved marking device. Touch screen systems require a voter to select his or her options on a computer screen.

PROPOSAL

This measure allows the state to sell \$200 million in general obligation bonds for updated voting systems. The money raised from the bond sales would assist any county in the purchase of new voting equipment that is certified by the Secretary of State, with the exception of prescored punch card voting systems which are ineligible for funding.

General obligation bonds are backed by the state, meaning that the state is required to pay the principal and interest costs on these bonds. General Fund revenues would be used to pay these costs. These revenues come primarily from the state personal and corporate income taxes, and sales tax.

A new five-member Voting Modernization Board (Board) created by the measure, would consider applications and award the bond monies to counties for the purchase of new voting equipment that meet the

required specifications. The measure specifies that the Board shall consist of two members appointed by the Secretary of State and three members appointed by the Governor.

In order to receive bond monies, a county must contribute one dollar of county funds for every three dollars of bond monies.

FISCAL EFFECT

State Bond Costs. For these bonds, the state would make principal and interest payments from the state's General Fund over a period of about ten years. If the bonds are sold at an interest rate of 5 percent (the current rate for this type of bond), the cost would be about \$255 million to pay off both the principal (\$200 million) and the interest (\$55 million). The average payment would be about \$26 million per year.

Cost to Counties. The measure would result in additional costs to counties that receive bond funds. First, the counties would incur one-time matching fund costs of about \$67 million statewide. Second, counties would also incur additional ongoing costs to operate, maintain, and store the new voting equipment, and to train staff and voters on how to use the new machines. The magnitude of these additional costs will vary among counties depending on the number of voters and the difference in operating costs between a county's current voting system and the new voting system. The additional annual operating costs could be in the several tens of millions of dollars on a statewide basis.